

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 TRSE-00 SS-15
STR-07 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01
DODE-00 NSCE-00 SSO-00 ICAE-00 INRE-00 GSA-02
DOE-15 SOE-02 INT-05 /097 W
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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 8772

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E.O. 11652: NA
TAGS: EMIN, JA
SUBJECT: COBALT

REF: A) STATE 145925, B) TOKYO 10290

1. SUMMARY. GOJ DOES NOT CONTEMPLATE TAKING ANY MEASURES IN RESPONSE TO ANTICIPATED SHORTAGE OF ZAIRIAN COBALT. WITHOUT REFERENCE TO THE ZAIRE REBELLION, THE TWO JAPANESE COBALT MANUFACTURERS INDEPENDENTLY HAVE BEEN PLANNING TO INCREASE THEIR MONTHLY PRODUCTION IN THE LATTER HALF OF 1978, ONE BY 55-78 PCT FROM AUGUST AND THE OTHER BY 20 PCT FROM OCTOBER. SO FAR, THE ZAIRE HOSTILITIES HAVE NOT CAUSED THEM TO MOVE FORWARD THEIR SCHEDULED PRODUCTION INCREASES. END SUMMARY.

2. CONSUMPTION. GOJ STATISTICS INDICATE THAT 1977 CONSUMPTION OF VIRGIN COBALT METAL TOTALED 2,455 METRIC TONS (MT). CONSUMPTION DATA BY PRODUCT-TYPE (E.G., CATHODES, FLAKES, AND POWDER) AND SOURCE OF SUPPLY ARE NOT AVAILABLE. THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) HAS NO OFFICIAL ESTIMATES FOR 1978
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CONSUMPTION. HOWEVER, MITI ESTIMATES THAT THE COMBINED TOTAL CONSUMPTION OF VIRGIN COBALT AND SCRAP COBALT IN 1978 WILL BE ABOUT SAME AS THAT IN 1977. NEITHER STATISTICS NOR ESTIMATES ON SCRAP COBALT CONSUMPTION ARE AVAILABLE. MITSUI AND CO., LTD., THE LARGEST IMPORTER OF COBALT AND THE SALES AGENT FOR SGM, ESTIMATES THAT 1978 CONSUMPTION OF VIRGIN COBALT WILL BE 2,700-

3,000 MT, OF WHICH 1,300-1,400 MT WILL BE DOMESTIC COBALT AND 1,400-1,600 MT WILL BE IMPORTED COBALT. MITSUI ALSO ESTIMATES THAT COBALT FROM ZAIRE ACCOUNTED OR WILL ACCOUNT FOR ABOUT 50 PCT OF THE CONSUMPTION OF IMPORTED COBALT IN BOTH 1977 AND 1978.

3. STOCKS. THE LATEST GOJ STATISTICS INDICATE THAT STOCKS OF VIRGIN COBALT AT THE END OF FEBRUARY 1978 TOTALED 885 MT, OF WHICH 230 MT WAS HELD BY PRODUCERS, 117 MT BY DEALERS, AND 538 MT BY CONSUMERS. THE TWO MANUFACTURERS' STOCKS AT THE END OF MAY TOTALED ABOUT 170 MT. MITSUI ESTIMATES THAT BY THE END OF MAY 1978, STOCKS HELD BY DEALERS AND CONSUMERS HAD DECREASED ROUGHLY 50 PCT FROM THEIR RESPECTIVE LEVELS OF FEBRUARY 1978. STOCK DATA BY PRODUCT TYPE ARE NOT AVAILABLE. GOJ HAS NO STOCKPILES OF COBALT.

4. PRODUCTION. 1977 PRODUCTION BY THE TWO MANUFACTURERS, NIKKO NICKEL COBALT CO., LTD. (DESIGNED ANNUAL CAPACITY: 1,200 MT OF BROKEN CATHODE) AND SUMITOMO METAL MINING CO., LTD. (DESIGNED CAPACITY: 1,600 MT OF 4 INCH-SQUARE, 1.0-1.5 MM THICK, CATHODE) TOTALED 1,093 MT, OF WHICH 441 MT WAS NIKKO'S BROKEN CATHODES AND 652 MT WAS SUMITOMO'S CATHODES. RAW MATERIALS FOR JAPANESE COBALT ARE NICKEL-COBALT MIXED SULPHIDE, ANINTERMEDIATE OF NICKEL ORE SMELTING. NIKKO IMPORTS IT FROM AUSTRALIA; LIMITED OFFICIAL USE

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SUMITOMO, FROM THE PHILIPPINES. OFFICIAL ESTIMATES FOR 1978 PRODUCTION ARE NOT AVAILABLE. ACCORDING TO THE PRODUCTION SCHEDULES OF THE TWO MANUFACTURERS, 1978 PRODUCTION WILL BE 1,700-1,750 MT, OF WHICH 650-700 MT WILL BE BY NIKKO AND 1,050 BY SUMITOMO. THE CURRENT OPERATING RATE IS ABOUT 45 PCT FOR NIKKO AND 53 PCT FOR SUMITOMO. NIKKO PLANS TO RAISE THIS TO 70-80 PCT FROM AUGUST; SUMITOMO, TO 75 PCT FROM OCTOBER. SO FAR THE TWO COMPANIES HAVE NO PLANS TO MOVE UP THESE SCHEDULES IN RESPONSE TO THE ZAIRE HOSTILITIES.

5. PRICES. FOLLOWING SGM'S PRICE INCREASE FROM \$6.85 TO \$8.50 PER POUND AS OF MAY 25, THE TWO MANUFACTURERS RAISED THEIR SELLING PRICES FROM 4,200 YEN TO 6,200 YEN PER KILOGRAM FROM JUNE 1. (\$1 EQUALS APPROXIMATELY 220 YEN.) THERE ARE FEW SPOT MARKETS IN JAPAN, ACCORDING TO MITSUI.

6. GOVERNMENT POLICIES. GOJ HAS NOT TAKEN AND DOES NOT CONTEMPLATE TAKING ANY ACTION IN RESPONSE TO CURRENT TIGHT SUPPLY. IN AUGUST 1976, THE SPECIAL METALS STOCKPILING ASSOCIATION (SMSA) WAS FORMED BY 21 STEEL

MANUFACTURERS AND 12 RARE METAL MANUFACTURERS TO STOCKPILE NICKEL, CHROMIUM, TUNGSTEN, COBALT, AND MOLYBDENUM AND RELATED ORES AND INTERMEDIATES. IN JFY 1977, SMSA STOCKPILED 800 MT OF FERRONICKEL AND 2,600 MT OF FERROCHROMIUM, BUT DID NOT STOCKPILE COBALT, NOR TUNGSTEN, NOR MOLYBDENUM. THE STOCKPILING PLAN FOR JFY 1978 HAS NOT YET BEEN DECIDED. GOJ CONTRIBUTED \$170,000 FOR THE ESTABLISHMENT OF SMSA FROM THE NATIONAL BUDGET, BUT HAS NOT PROVIDED DIRECT GOVERNMENT-INTEREST SUBSIDIES. GOJ HAS NO SEPARATE PROGRAM TO STOCKPILE COBALT ALONE.

7. COMPANY ALLOCATION POLICIES. THE TWO MANUFACTURERS

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AND MITSUI TOLD US THAT THEIR SALES ARE MADE TO ESTABLISHED CUSTOMERS ONLY AND THAT THERE WILL BE NO CHANGES IN THEIR USUAL DISTRIBUTION PATTERNS. MANSFIELD

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